

## **Chameleon Asset Strategies LLC**

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Presents:

### **Chameleon Core Strategy**

*\$50,000 minimum initial investment required \**

This Document is Current as of August 1, 2015

*Chameleon Asset Strategies LLC intends to use this document on September 1, 2015, or such other date that it has been accepted by the National Futures Association... \* Chameleon Asset Strategies LLC reserves the right to accept smaller investment amounts at its sole discretion.*

**THE COMMODITY FUTURES TRADING COMMISSION HAS NOT PASSED UPON THE MERITS OF PARTICIPATING IN THIS TRADING PROGRAM NOR HAS THE COMMISSION PASSED ON THE ADEQUACY OR ACCURACY OF THIS DISCLOSURE DOCUMENT.**

## **RISK DISCLOSURE STATEMENT**

**THE RISK OF LOSS IN TRADING COMMODITY INTERESTS CAN BE SUBSTANTIAL. YOU SHOULD THEREFORE CAREFULLY CONSIDER WHETHER SUCH TRADING IS SUITABLE FOR YOU IN LIGHT OF YOUR FINANCIAL CONDITION. IN CONSIDERING WHETHER TO TRADE OR TO AUTHORIZE SOMEONE ELSE TO TRADE FOR YOU, YOU SHOULD BE AWARE OF THE FOLLOWING:**

**IF YOU PURCHASE A COMMODITY OPTION YOU MAY SUSTAIN A TOTAL LOSS OF THE PREMIUM AND OF ALL TRANSACTION COSTS.**

**IF YOU PURCHASE OR SELL A COMMODITY FUTURES CONTRACT OR SELL A COMMODITY OPTION OR ENGAGE IN OFF-EXCHANGE FOREIGN CURRENCY TRADING YOU MAY SUSTAIN A TOTAL LOSS OF THE INITIAL MARGIN FUNDS OR SECURITY DEPOSIT AND ANY ADDITIONAL FUNDS THAT YOU DEPOSIT WITH YOUR BROKER TO ESTABLISH OR MAINTAIN YOUR POSITION. IF THE MARKET MOVES AGAINST YOUR POSITION, YOU MAY BE CALLED UPON BY YOUR BROKER TO DEPOSIT A SUBSTANTIAL AMOUNT OF ADDITIONAL MARGIN FUNDS, ON SHORT NOTICE, IN ORDER TO MAINTAIN YOUR POSITION. IF YOU DO NOT PROVIDE THE REQUESTED FUNDS WITHIN THE PRESCRIBED TIME, YOUR POSITION MAY BE LIQUIDATED AT A LOSS, AND YOU WILL BE LIABLE FOR ANY RESULTING DEFICIT IN YOUR ACCOUNT.**

**UNDER CERTAIN MARKET CONDITIONS, YOU MAY FIND IT DIFFICULT OR IMPOSSIBLE TO LIQUIDATE A POSITION. THIS CAN OCCUR, FOR EXAMPLE, WHEN THE MARKET MAKES A “LIMIT MOVE.”**

**THE PLACEMENT OF CONTINGENT ORDERS BY YOU OR YOUR TRADING ADVISOR, SUCH AS A “STOP-LOSS” OR “STOP-LIMIT” ORDER, WILL NOT NECESSARILY LIMIT YOUR LOSSES TO THE INTENDED AMOUNTS, SINCE MARKET CONDITIONS MAY MAKE IT IMPOSSIBLE TO EXECUTE SUCH ORDERS.**

**A “SPREAD” POSITION MAY NOT BE LESS RISKY THAN A SIMPLE “LONG” OR “SHORT” POSITION.**

**THE HIGH DEGREE OF LEVERAGE THAT IS OFTEN OBTAINABLE IN COMMODITY INTEREST TRADING CAN WORK AGAINST YOU AS WELL AS FOR YOU. THE USE OF LEVERAGE CAN LEAD TO LARGE LOSSES AS WELL AS GAINS.**

**IN SOME CASES, MANAGED COMMODITY ACCOUNTS ARE SUBJECT TO SUBSTANTIAL CHARGES FOR MANAGEMENT AND ADVISORY FEES. IT MAY BE NECESSARY FOR THOSE ACCOUNTS THAT ARE SUBJECT TO THESE CHARGES TO MAKE SUBSTANTIAL TRADING PROFITS TO AVOID DEPLETION OR EXHAUSTION OF THEIR ASSETS. THIS DISCLOSURE DOCUMENT CONTAINS, AT PAGE 9, A COMPLETE DESCRIPTION OF EACH FEE TO BE CHARGED TO YOUR ACCOUNT BY THE COMMODITY TRADING ADVISOR.**

**THIS BRIEF STATEMENT CANNOT DISCLOSE ALL THE RISKS AND OTHER SIGNIFICANT ASPECTS OF THE COMMODITY INTEREST MARKETS. YOU SHOULD THEREFORE CAREFULLY STUDY THIS DISCLOSURE DOCUMENT AND COMMODITY INTEREST TRADING BEFORE YOU TRADE, INCLUDING THE DESCRIPTION OF THE PRINCIPAL RISK FACTORS OF THIS INVESTMENT, AT PAGE 4.**

**THIS COMMODITY TRADING ADVISOR IS PROHIBITED BY LAW FROM ACCEPTING FUNDS IN THE TRADING ADVISOR’S NAME FROM A CLIENT FOR TRADING COMMODITY INTERESTS. YOU MUST PLACE ALL FUNDS FOR TRADING IN THIS TRADING PROGRAM DIRECTLY WITH A FUTURES COMMISSION MERCHANT OR RETAIL FOREIGN EXCHANGE DEALER, AS APPLICABLE.**

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## **Business Background**

### **Chameleon Asset Strategies LLC**

Chameleon Asset Strategies LLC (“Chameleon”) was formed as a Limited Liability Company in the state of Colorado on April 23, 2015 by Stephen Padwe. (“Mr. Padwe”). Chameleon was created to register as a Commodity Trading Advisor (“CTA”) with the Commodity Futures Trading Commission (“CFTC”). The company has never been used for any other business purpose and has no other outside operating history. The main business address and location of records is: 5338 W. 100th Ct., Westminster, CO 80020. Telephone: (720) 331-2227.

Chameleon Asset Strategies LLC registered with the CFTC as a Commodity Trading Advisor on July 15, 2015 and became a member of the National Futures Association (“NFA”) on that date. As of the date of this document firm principal, Stephen Padwe, is the only individual with authority to trade. For more information on Chameleon’s principal, please see the biography details provided below. Chameleon Asset Strategies, LLC has no past performance history, as stated on page 12 of this disclosure memorandum.

#### **Stephen Padwe**

Mr. Padwe is the Trading Principal of Chameleon Asset Strategies LLC. Mr. Padwe listed as a principal of Chameleon Asset Strategies LLC on July 13, 2015 and became registered as an associated person on July 15, 2015. Mr. Padwe was a registered representative and branch manager with Cambridge Investments Research Advisors, Inc. (“Cambridge”) a registered investment advisor, from September 2008 to July 2015. He was responsible for servicing client account, providing advice in building and managing investment portfolios, and utilizing a variety of sophisticated software platforms to model complex financial situations and goals. He also managed the branch office and was briefly registered as an associated person from June 17, 2015 to June 30, 2015. Mr. Padwe was jointly responsible for growing a branch at Cambridge from thirty advisors to more than ninety and tripling revenues. Later in his tenure with Cambridge, Mr. Padwe focused exclusively on advising individual investors with substantial portfolios. He was a registered representative of RMIN Securities, Inc., a broker dealer (January 2007 to March 2010) where he worked in business development.

### **Financial Companies Utilized**

Clients of Chameleon may generally select the futures commission merchant (“FCM”) at which to maintain their accounts and, if desired, an introducing broker (“IB”) to introduce their accounts. Chameleon reserves the right to disapprove any FCM or IB chosen by the client. Such disapproval will generally be based on the past performance, execution capabilities, product limitations and commission structure of the FCM or IB they client has selected.

### **Principal Risk Factors of Trading**

Prospective investors should consider the following risks before deciding to invest with Chameleon. The risk factors below are not intended to include all possible risks of investing in commodities, nor are the summaries intended to provide complete descriptions of the risks that are included. There is a high degree of risk associated with trading in commodity futures and options and any such investment decision should be made only after careful consideration of the risks associated with such transactions. No person should consider trading more than they can comfortably afford to lose. There is no assurance that Chameleon’s investments will be successful or that trading objectives will be attained. Prospective investors who would like more details about any risk factor should contact Chameleon directly via the contact information provided on the first page of this document.

## **Market Risks**

### **Volatility Risk**

The futures markets are speculative, prices are volatile, and market movements are difficult to predict. Supply and demand for futures contracts can change rapidly and are affected by a variety of factors, including interest rates, merger activities, and general trends in the overall economy or particular industrial, agricultural, or other economic sectors. Government actions, especially those of the US Federal Reserve Board and other central banks can have a profound effect on global interest rates, which affect the price of futures contracts. In addition, a variety of other factors that are inherently difficult to predict such as domestic and international political developments, governmental trade and fiscal policies, patterns of trade, war and or other military conflict can also have significant effects on the markets. Chameleon may have only limited ability to vary its investment strategy in response to changing economic financial and investment conditions. No assurance can be given as to when or whether adverse events might occur that could cause significant and immediate loss in value to your account. Even in the absence of such events, trading futures contracts can quickly lead to large losses. Such trading losses could sharply reduce the value of your account and your ability to continue trading in the market.

Prices of futures contracts are highly volatile; Chameleon will trade in these markets on a purely speculative basis. No assurance can be given that the speculative trading conducted on behalf of your account will result in profitable trades for your account or that your account will not incur substantial or unrecoverable losses.

### **Liquidity Risk**

Most futures contracts are subject to daily price limitations, which mean that the exchanges a commodity is traded on have prohibited the trading of futures contracts if the price fluctuates by a certain amount. If this occurs, it may be impossible to liquidate a position. Futures prices have occasionally moved the daily limit for several consecutive days with little or no trading. Similar occurrences in markets in which Chameleon may decide to trade your account and hold positions at that time may prevent Chameleon from promptly liquidating unfavorable positions and subject you to substantial losses. Daily limits may reduce liquidity, but they do not limit ultimate losses, as such limits apply only on a day-to-day basis. In addition, even if contract prices have not moved the daily limit, Chameleon may not be able to execute trades at favorable prices if there is only light trading in the contracts being held for your account.

### **Leverage and Margin Risk**

A futures position can be established with margin that typically represents a relatively small percentage of the total face value of the futures contract being traded. Thus, a small movement in the price of the underlying commodity asset can result in a substantial price movement relative to the margin deposit and may result in immediate and substantial losses to your account. Although the use of leverage can substantially improve the return on invested capital, it may also increase any losses which your account may experience, and it is possible that your account could lose most, all, or even more than the value of the balance on deposit with your FCM due to the effects of leverage combined with price volatility.

### **Speculative Position Limits**

The CFTC and the commodity exchanges have established position limits on the maximum net long or net short futures positions which any person or group of persons acting together may hold, own or control in a particular futures contract. All futures contract accounts owned, held, managed, and controlled by the Chameleon, its principal, and their affiliates, including your account, are aggregated for speculative position limit purposes. Chameleon believes that the current position limits will not adversely affect its trading, however it is possible that the trading decisions of Chameleon may have to be modified and positions managed by Chameleon may have to be liquidated in order to avoid exceeding applicable position limits.

### **Custody Risk**

Futures Commission Merchants (“FCM”) are required to segregate customer funds pursuant to the United States Commodity Exchange Act (“CEA”). If an FCM fails to do so, clients may be subject to a risk of loss of funds in the event of FCM bankruptcy. Even if such funds are properly segregated, a client may still be subject to a risk of loss of the funds on deposit with the FCM should another customer of the FCM or the FCM itself fail to satisfy account deficiencies. In the case of any such bankruptcy or customer loss, a participating customer might recover, even in respect of property specifically traceable to the customer, only a pro rata share of all property available for distribution to all of the FCM’s customers, or no amount of money at all. There is no equivalent of the Securities Investors Protection Corporation (“SIPC”) or Federal Deposit Insurance Corporation (“FDIC”) as is commonly applicable in the case of securities broker dealer or banking insolvencies.

## **Risks Specific to Trading with Chameleon Asset Strategies LLC**

### **Lack of Trading History**

Chameleon is a new CTA and has a no trading history. As a result the firm is considered an “emerging manager” and may not have the same experience or expertise of other firms more established within the commodities industry.

### **Compensation Risks**

Chameleon Asset Strategies LLC is compensated through the entitlement of an incentive fee, which is based on profits. This motivate Chameleon to take greater risks with your account in an effort to generate profits, and thus its compensation. Because an incentive fee is based on both the unrealized and realized gains in your account, it is possible that the manager could earn an incentive fee based on positions that were profitable at the end of a quarter, but which may not be profitable when later liquidated.

### **Trading Unpredictability**

Depending on market volatility Chameleon’s trading activities may involve substantial position turnover in your account which would correspond to high transactional costs. In addition, trading decisions will be made solely on the techniques and strategies of Chameleon. There can be no assurance that the decisions made by Chameleon will produce profits or not result in losses.

### **Reliance on Key Personnel**

Chameleon is dependent on the services and skills of its principal Stephen Padwe. The loss of Mr. Padwe’s skills or services may make it difficult if not impossible for Chameleon to continue to manage your account. Such a setback may result in large losses if no one is available to tend to any open positions which may be in your account.

### **Strategy Risk - Day Trading**

This strategy will hold positions for minutes, hours, or other time periods less than a day. This type of investing is commonly referred to as day trading and may not be appropriate for someone of limited resources and/or low risk tolerance. Day trading also requires an in-depth understanding of the financial markets as well as trading strategies and techniques to be implemented successfully. This type of trading involves relatively aggressive trading techniques that will generally increase the overall commission costs paid by your account. Such an increase in your trading costs will add to any losses sustained and can significantly reduce the rate of return and overall earnings potential of your account. This type of trading may also increase the risk and frequency of margin calls on your account due to increased market exposure.

### **Stop Loss Orders may Not Limit Losses**

The use of certain trading techniques to reduce risk, specifically the placement of "stop loss" and “take profit” orders which are intended to limit losses or collect gains at pre-determined pricing levels, may not

always be effective. Market conditions may make it difficult if not impossible to execute such orders during periods of extreme market volatility or low liquidity. Accordingly, any strategy using such trading techniques may be just as risky as a strategy using simple "long" or "short" positions. There is no way for Chameleon to guarantee that any type of risk reducing trade will provide protection against adverse price movements. There is also no way to guarantee that a stop loss or take profit order will be filled at the market price requested and desired for your account.

### **Electronic Trading**

Chameleon will be executing your trades through an electronic trading platform and order routing system offered by an FCM. Trading in this fashion differs from traditional open outcry pit trading in that it poses electronic and technological trading risks. Specifically, as a result of trading electronically it is possible for Chameleon to encounter system related issues and or system failures when attempting to execute orders for your account. In addition your trades may be materially affected by a failure of Chameleon's computer hardware or through a failure or loss of internet connectivity to an FCM. It is also possible that an FCM may experience technical difficulties beyond the control of Chameleon which may affect your account. Chameleon's use of electronic trading systems, in certain instances, may also limit your ability to pursue damages for system failures and trading delays related to technological problems.

### **Uncertainty Concerning Future Regulatory Changes**

In addition to possible changes in the regulation of the futures markets, other regulatory changes could have a material and adverse effect on the prospects for profitability within this strategy. The U.S. securities and commodities markets are subject to ongoing and substantial regulatory changes, and it is impossible to predict what statutory, administrative or exchange-imposed restrictions may become applicable in the future. Particularly in light of the general turmoil that has engulfed the financial markets over the past several years, Congress, the Treasury Department, the SEC and the CFTC among others, have or are considering measures, including but not limited to, bans and limits on speculative trading that could limit or negate the ability to trade profitably.

### **Partial or Notional Funding**

You should request Chameleon to advise you of the amount of cash or other assets, in other words the level of actual funds, which should be deposited to the advisor's trading strategy for your account to be considered "fully-funded". This is the amount upon which Chameleon will determine the number of contracts traded in your account and should be an amount sufficient to make it unlikely that any further cash deposits would be required from you over the course of your participation in the program. Chameleon recommends that clients open their account as a fully-funded. We will consider a client's desire to open a notionally-funded account on a case-by-case basis.

"Notional Funds" are quantified in the "Notional Funding Agreement" and held constant. Any changes to notional funding must be in writing. Notional Funds, together with the Actual Funds in the account make up the "nominal account size," which determines the number of contracts traded in your account. Actual Funds include additions and withdrawals to the account, as well as net performance. Subsequently, nominal account size changes with additions, withdrawals, and net performance.

It is important to recognize that the account size you have agreed to in providing the "nominal account size" is not the maximum possible loss that your account may experience in the course of your trading within this strategy. You should consult the account statements received from your FCM in order to determine the actual activity in your account, including but not limited to your profits, losses, and current available cash balance on a regular basis.

To the extent that the equity in your account is at any time less than the nominal account size you should be aware of the following:

(i) Although gains and losses, fees and commissions measured in dollars, will be the same, they will be greater when expressed as a percentage of account equity.

(ii) Notionally funded accounts may receive more frequent and larger margin calls.

(iii) The amount of losses and gains for notionally funded accounts will be amplified by the specific level of funding utilized.

(iv) Draw-downs and run-ups will be greater when expressed as a percentage of actual funds than when expressed as a percentage of nominal account size for partially-funded accounts.

(v) Trading will be determined by the account's nominal account size, which equals actual funds, including cash additions, withdrawals, and net performance, plus any notional funds.

(vi) Management fees are based on the nominal account size, which includes notional funds. Clients with notionally funded accounts will pay management and other fees at a higher rate as a percentage of actual funds than clients whose accounts are fully funded. For example, a client account with 50% notional funds and 50% actual funds, and a stated management fee of two percent will pay a management fee of four percent based on actual funds.

Clients considering opening a notionally funded account with Chameleon should be certain that they fully understand the implications of the increased leverage inherent in this type of trading. They should carefully consider the risk return profile of their desired funding before opening such an account. Clients are urged to consider the differences between a notionally funded and a fully funded account. It is imperative for clients to recognize that due to increased leverage, notionally funded accounts will experience greater percentage losses as well as greater percentage gains, in terms of actual funds, than fully funded accounts.

The following table attempts to illustrate the impact that partially funding your account has on your rate of return. The table presents a generic matrix representing potential rates of return relative to various notional funding levels. This table should be used to evaluate the affects that partial funding can have on your account's trading performance. It is important to recognize that this table should be used as a reference only and that any actual gains or losses which occur in a client notionally funded account should be calculated independently, on an account-by-account basis.

| Actual Rate of Return | Rates of Return Based On Various Funding Levels |               |               |               |               |               |               |
|-----------------------|---|---------------|---------------|---------------|---------------|---------------|---------------|
|                       | 100.00%   | 75.00%        | 66.67%        | 50.00%        | 40.00%        | 33.33%        | 20.00%        |
| <b>50.00%</b>         | 50.00%  | 66.67%        | 75.00%        | 100.00%       | 125.00%       | 150.00%       | 250.00%       |
| <b>40.00%</b>         | 40.00%  | 53.33%        | 60.00%        | 80.00%        | 100.00%       | 120.00%       | 200.00%       |
| <b>30.00%</b>         | 30.00%  | 40.00%        | 45.00%        | 60.00%        | 75.00%        | 90.00%        | 150.00%       |
| <b>20.00%</b>         | 20.00%  | 26.67%        | 30.00%        | 40.00%        | 50.00%        | 60.00%        | 100.00%       |
| <b>10.00%</b>         | 10.00%  | 13.33%        | 15.00%        | 20.00%        | 25.00%        | 30.00%        | 50.00%        |
| <b>0.00%</b>          | 0.00%   | 0.00%         | 0.00%         | 0.00%         | 0.00%         | 0.00%         | 0.00%         |
| <b>-10.00%</b>        | -10.00%   | -13.33%       | -15.00%       | -20.00%       | -25.00%       | -30.00%       | -50.00%       |
| <b>-20.00%</b>        | -20.00%   | -26.67%       | -30.00%       | -40.00%       | -50.00%       | -60.00%       | -100.00%      |
| <b>-30.00%</b>        | -30.00%   | -40.00%       | -45.00%       | -60.00%       | -75.00%       | -90.00%       | -150.00%      |
| <b>-40.00%</b>        | -40.00%   | -53.33%       | -60.00%       | -80.00%       | -100.00%      | -120.00%      | -200.00%      |
| <b>-50.00%</b>        | -50.00%   | -66.67%       | -75.00%       | -100.00%      | -125.00%      | -150.00%      | -250.00%      |
|                       | <b>100.00%</b>                                  | <b>75.00%</b> | <b>66.67%</b> | <b>50.00%</b> | <b>40.00%</b> | <b>33.33%</b> | <b>20.00%</b> |
|                       | <b>Level Of Funding</b>                         |               |               |               |               |               |               |



**THE FOREGOING RISK FACTORS DO NOT PURPORT TO BE A COMPLETE EXPLANATION OF ALL RISKS ASSOCIATED WITH COMMODITIES TRADING OR TRADING BY CHAMELEON ASSET STRATEGIES LLC. PROSPECTIVE INVESTORS SHOULD READ CHAMELEON ASSET STRATEGIES LLC'S DISCLOSURE DOCUMENT IN ITS ENTIRETY AND CONSULT WITH AN INDEPENDENT INVESTMENT, TAX, AND LEGAL ADVISOR(S) BEFORE DETERMINING WHETHER TO INVEST IN THE PROGRAM.**

## **Trading Program Description Chameleon Core Strategy**

The Chameleon Core Strategy is a combination of certain day trading strategies and short-term swing trading. The primary day trading aspect of the program seeks to identify overbought and oversold conditions in the markets as well as imbalances related to supply and demand. Equilibrium factors and price discovery yield trade opportunities as well. Relatively small market movements are targeted and stop-loss orders are placed at the time of trade initiation. The short-term swing trading aspect of the system relies on both fundamental and technical analysis, and these trades can be several days in duration. A feature of risk management practices is limiting each trade to 0.5% of equity. The strategy trades equity indices such as E-Mini S&P and Nasdaq and interest rates products such as the ten-year note and the thirty-year Treasury. It also trades metals, including gold, silver, and copper, and energy products, specifically crude oil and natural gas. Chameleon may add or delete markets traded as it deems appropriate

### **Allocations and Blocked Orders**

Chameleon will generally place a block, or bunched, order for all participating client accounts and proprietary accounts, in which the same commodity interest is being traded through the same FCM. In a block order, trades for all accounts are placed for execution together, and then are allocated to individual accounts when the order has been completed or at the end of the trading day. This process improves the efficiency of trade placement, and is intended to provide better pricing and execution of orders for all accounts. To aid in transparency Chameleon will make available to any client upon request (1) the general nature of the allocation methodology Chameleon uses; and (2) summary or composite execution and allocation data sufficient for that client to compare the results of execution and allocation for its account with those of the accounts of comparable clients and any proprietary account participating in the bunched order process.

## **Fees and Costs Associated with Trading This Program**

As compensation for trading and risk management services of Chameleon, a monthly management fee and quarterly incentive fee may be charged to your account. Chameleon reserves the right to structure each account to meet specific client needs.

At the end of any applicable period Chameleon will calculate all fees, including any incentive or management fees due from your account. After this calculation is made, a notice will be provided to your FCM of fees due to Chameleon and monies owed by your account will be debited directly from your account. Also, unless otherwise agreed to in writing, all fractional dollar amounts for any fee payable to Chameleon will be rounded to the nearest dollar up or down. The following is a comprehensive listing of the types of fees you are likely to incur while trading the Chameleon Core Strategy.

### **Brokerage and Trading Fees**

To trade with Chameleon through your FCM according to the methodologies described within this

document you will be responsible for all brokerage commissions and fees charged by your FCM.

### **Management Fee**

Chameleon will charge a monthly management fee of 0.167% (2% annually) of the "Nominal Account Size" of the client's account unless specified otherwise in writing by Chameleon. In assessing the value of your account Chameleon will rely on the clearing brokerage statements and other reports received from your FCM. Nominal Account Size is the total of Gross Ending Equity plus all Notional Funds. Gross Ending Equity is defined as the Beginning Equity plus any Additions minus any Withdrawals plus Gross Trading Performance plus Interest minus any fees or charges. Gross Trading Performance is defined as the sum of the realized and unrealized trading profits credited to the account during the period. Management fees will be prorated for partial month participation in the trading program.

Clients with accounts that are notionally funded (that is, where actual funds are less than the nominal account value) will pay management and other fees at a higher rate as a percentage of actual funds than clients whose accounts are fully funded. For example, a client account with 50 percent of its trading level in actual funds and a stated management fee of two percent per annum will pay a management fee of four percent per annum based on actual funds. Depending on an account's exact level of funding, the management fee may be higher or lower than that set forth in the foregoing example.

### **Incentive Fees**

Chameleon will require each account to pay a quarterly incentive fee based on the profitability of Chameleon's trading for that account. This fee will be twenty percent (20%) of net new profits unless specified otherwise in writing by Chameleon.

In this context, net new profits will be defined as the excess, if any, of cumulative net profits at the end of a quarter over the highest prior cumulative net profit reached during the lifetime of your account. For the purposes of cumulative net profits, any trading losses from prior periods must be recouped and a new high profit must be achieved before further incentive fees will be payable.

Within the incentive fee calculation profits shall include both realized and unrealized gains as well as interest received on your account assets. In the event net new profits for a period are negative, a "Carry Forward Loss" will be applied to the beginning of the next quarter. To the extent any funds are withdrawn from your account, any loss attributed to those funds may be deducted from the Carry Forward Loss. Under this scenario, Chameleon will not be entitled to incentive fees unless trading profits for an ensuing period exceeds all applicable carry forward losses.

The incentive fee calculation includes unrealized gain or loss on open positions. As a result it is possible that unrealized appreciation that causes an incentive fee, in part, to be paid may never be realized in your account. For example, if at the end of a quarter your account had unrealized profit on open positions, Chameleon may receive an incentive fee based on such unrealized gains. Following such a payment, those open positions might, due to adverse market conditions, be closed out at no profit or even a loss. Nevertheless if a client's account incurs such a loss after an incentive fee has been paid, such fees will not be rebated and Chameleon will retain the collected fee. However, in subsequent quarters no further incentive fee will be paid unless your account value once again has net new profits.

### **Sample Incentive Fee Calculation**

The following are general representations and definitions related to how Chameleon will calculate incentive fees on your account. Chameleon will rely on the account statements provided by your FCM to determine if net new profits have been generated.

The term net new profits shall be defined as: (a) net realized trading profits and losses for the period, plus (b) the change in unrealized trading profits and losses for the fee period, minus (c) any net trading losses

carried forward from previous fee periods that have not been recouped, minus (d) management fees charged or accrued to your account if applicable. The term net new profits also includes interest income earned or credited to your account. As noted above, net new profits will be determined from the end of the last incentive fee period for which an incentive fee was earned by Chameleon to the current period.

Should your account determine to leave the program as of any date which is not the end of an incentive fee period, the incentive fee described above, if applicable, will be determined as if such termination date were at the end of a natural incentive fee period. If any payment of incentive fees is made to Chameleon on account of net new profits and your account thereafter fails to earn further net new profits or experiences losses for any subsequent incentive fee period, Chameleon will be entitled to retain such amounts of incentive fees previously paid. Under such a scenario no subsequent incentive fees will be payable to Chameleon until your account has overcome any carry forward losses being carried forward to achieve net new profits.

Similarly if any withdrawals from your account occur as of any date that is not at the end of an incentive fee period, an incentive fee will be paid, if applicable, with respect to such withdrawn amount as if such withdrawal occurred as of the end of an incentive fee period. Withdrawals from your account will result in a proportional reduction of any carry forward losses as of the date of such withdrawal.

For simplicity Chameleon will calculate net period performance using the following basic equation:

$$\begin{aligned} & \textit{Realized Gain or Loss for period} \\ & + \textit{Change in Unrealized Gain or Loss} \\ & - \textit{Net Trading Losses Carried Forward} \\ & \underline{\textit{-Management Fees (if applicable)}} \\ & \textit{Net New Profits} \end{aligned}$$

To obtain an incentive fee value, the agreed upon fee percentage for your specific account will then be multiplied against net new profits.

Chameleon will not be responsible for creating or validating the accuracy of the reports provided by the FCM that you have chosen. You will also be responsible for ensuring your individual trade statements are made available to the firm. As a result the firm shall not incur any liability for any determination made, or other action taken or omitted, in good faith, relative to valuing your account for reasons of determining your monthly management or quarterly incentive fee.

### **Termination**

It is recommended that you notify Chameleon of your intent to exit the program and terminate your relationship at least 10 business days prior to requesting funds from your FCM, so that open positions may be offset in an orderly manner. Notice of termination must be in writing, either via email or handwritten correspondence. Management fees will be prorated for partial month participation in the trading program.

## **Conflicts of Interest**

The trading principal of Chameleon Asset Strategies LLC, Stephen Padwe, will be the trader on your account. Because Chameleon is paid on a performance fee basis, he may have an interest to take large risks with your account in an attempt to generate larger profits, and thus more revenue for Chameleon. Chameleon and its employees may also have an incentive to encourage increased monetary participation of your account in the program even if it may not be in your best interests. Stephen Padwe and any other persons who may be employed by Chameleon are not restricted from holding outside employment. As a result any person holding outside employment may have an incentive to offer your account less attention than necessary to properly trade this strategy.

Chameleon, its trading principal, and other employees of the firm may trade for their own accounts. Orders of such proprietary accounts may be the same or similar to orders for client accounts, and thus would compete for positions. Orders for proprietary accounts trading the Chameleon Core Strategy will be placed in a block order with trades for clients, and be subject to impartial allocation procedures. Were Chameleon to not place proprietary trades in a block order, a potential conflict of interest would arise because Chameleon could place orders for proprietary accounts ahead of the same or similar orders for customer accounts, which could benefit Chameleon. It is possible that Chameleon, its principal and employees may trade proprietary accounts independently of the trading program offered. Should this occur, proprietary account trading may take positions in markets or contracts that are opposite or different from those in client accounts. Chameleon will make the performance of proprietary trading, and written policies related to such trading, available to clients upon request.

All commodity positions held by accounts directed by Chameleon will be required to be aggregated for the purposes of complying with speculative position limits. If this were to occur and Chameleon directed accounts were required to reduce positions as a result of speculative position limits, Chameleon may have an incentive to reduce positions within client accounts prior to reducing positions within proprietary accounts.

Chameleon may share incentive and/or management fees with a brokers that introduce accounts. This sharing arrangement between these brokers and Chameleon will not add additional costs to your trading in the program. You should however be aware that such arrangements may incentivize these brokers to suggest an investment in this program even if it is not in your best interest as their client.

### **Litigation History**

As of the date of this document, to the best of the knowledge available to Chameleon Asset Strategies LLC and its principal, neither Chameleon nor Mr. Padwe are currently involved in and have not been involved in any material litigation during the last 5 years.

### **NFA's BASIC System**

To evaluate the regulatory history of your FCM, Introducing Broker, or Chameleon Asset Strategies LLC, please access the Basic System of the National Futures Association via [www.nfa.futures.org](http://www.nfa.futures.org). For your convenience the NFA ID number of Chameleon Asset Strategies, LLC is: 0488717

### **Trading Performance and History**

**Chameleon Asset Strategies LLC  
Chameleon Core Strategy**

**“NO ACTUAL CUSTOMER TRADING RESULTS AVAILABLE”**

**NEITHER THIS TRADING ADVISOR NOR ANY OF ITS TRADING PRINCIPALS HAVE  
PREVIOUSLY DIRECTED ANY ACCOUNTS**

## Acknowledgement of Receipt

I hereby acknowledge receipt of Chameleon Asset Strategies LLC's disclosure document dated August 1, 2015 which was read and understood. I also affirm that I have read and understood the following required risk statement:

**THE COMMODITY FUTURES TRADING COMMISSION HAS NOT PASSED UPON THE MERITS OF PARTICIPATING IN THIS TRADING PROGRAM NOR HAS THE COMMISSION PASSED ON THE ADEQUACY OR ACCURACY OF THIS DISCLOSURE DOCUMENT.**

### IF INDIVIDUAL PERSON(S)

\_\_\_\_\_  
First Client's Signature

\_\_\_\_\_  
Second Client's Signature (if a joint account)

\_\_\_\_\_  
Name (Please Print)

\_\_\_\_\_  
Name (Please Print)

\_\_\_\_\_  
Date

\_\_\_\_\_  
Date

### IF AN ENTITY

\_\_\_\_\_  
Name of Owner of Managed Account

\_\_\_\_\_  
Authorized Person's Signature

\_\_\_\_\_  
Date

\_\_\_\_\_  
Authorized Person's Name (Please Print)

\_\_\_\_\_  
Title (Please Print)